

Message Text

CONFIDENTIAL

PAGE 01 SAN SA 03170 081622Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 TRSE-00 OMB-01 EB-07 COME-00
XMB-02 DHA-02 SP-02 CIAE-00 INR-07 NSAE-00 /041 W
-----106227 090235Z /64

R 081430Z JUL 77
FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 4808
INFO USCINCSO

C O N F I D E N T I A L SAN SALVADOR 3170

E.O. 11652: GDS
TAGS: EFIN, IDB, ENRG, ES
SUBJECT: SAN LORENZO PROJECT

REF: STATE 154277 (1976) STATE 119590

1. RUSSEL ROODY, VICE PRESIDENT AND DIRECTOR FOR LATIN
AMERICAN OPERATIONS OF HARZA ENGINEERING COMPANY, CALLED ON
ME TODAY TO DISCUSS IDB LOAN ON SAN LORENZO PROJECT. ROODY

DESCRIBED MARCA'S FRUITFUL, 30-YEAR RELATIONSHIP AS CONSULTING
ENGINEERS TO GOES POWER GENERATING AUTHORITY, THE EXECUTIVE
COMMISSION FOR THE RIO LEMPA (CEL), AND SAID THAT HARZA IS
IN DANGER OF LOSING CEL AS CUSTOMER IF USG OPPOSES SAN LORENZO
PROJECT, FOR WHICH HARZA IS SCHEDULED TO DO ENGINEERING. ROODY
SAID FIRST HE LEARNED OF POSSIBLE TROUBLE WITH SAN LORENZO PROJECT
WAS NEWSPAPER ARTICLE PUBLISHED IN ARGENTINA WHICH STATED
THAT USG WAS BLOCKING \$90 MILLION IDB LOAN TO EL SALVADOR BECASUE
OF HUMAN RIGHTS VIOLATIONS. ACCORDING TO ROODY, HE WAS FIRST
TO BRING NEWS OF PROBLEM TO CEL MANAGEMENT AND LOCAL IDB REP.
HE SAID THAT HE CONSULTED WITH US EXECUTIVE DIRECTOR FOR IDB
(DUGAN) AND WAS ADVISED IN SO MANY WORDS THAT IDB WOULD NOT
REPEAT NOT APPROVE SAN LORENZO PROJECT AND THAT HARZA HAD BETTER
SEEK FINANCING ELSEWHERE FOR ENGINEERING SERVICES. HARZA HAS
POSSIBILITY OF ALTERNATE FINANCING PACKAGE FOR ENGINEERING PORTION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SAN SA 03170 081622Z

OF PROJECT THROUGH CHICAGO BANKS BUT THIS DEAL DEPENDS UPON
EX-IM PARTICIPATION. IF EX-IM DECLINES TO PARTICIPATE
BECAUSE OF USG ATTITUDE TOWARD GOES, HARZA FEARS IT WILL LOSE
\$12 MILLION ENGINEERING CONTRACT AND ITS LONG-TERM RELATIONSHIP
WITH CEL.

2. ROODY SAID HE WAS CONVINCED THAT MUCH FURTHER DELAY

IN CONSIDERATION OF SAN LORENZO PROJECT WOULD CAUSE CEL TO SEEK ALTERNATE FINANCING. HE SAID A NUMBER OF EUROPEAN GROUPS WERE WAITING IN THE WINGS, CITING IN PARTICULAR AN OFFER BY THE SWISS WHICH INCLUDES FINANCING ON COMMERCIAL TERMS FOR THE WHOLE PROJECT INCLUDING ENGINEERING. BRAZILIANS HAVE ALSO OFFERED FINANCIAL PACKAGE. ROODY EXPRESSED VIEW THAT BECAUSE OF NEED TO INCREASE GENERATING CAPACITY, CEL WOULD BE FORCED TO GO AHEAD WITH PROJECT ON BASIS OF COMMERCIAL LOANS EVEN THOUGH THIS WOULD SERIOUSLY COMPLICATE THEIR FINANCIAL SITUATION IN FIRST HALF OF DECADE OF 80'S. ALSO, EUROPEAN, JAPANESE OR BRAZILIAN FINANCING WOULD ELIMINATE POSSIBILITY THAT US CONTRACTOR WOULD BUILD DAM, ALTHOUGH HARZA HOPES TO HOLD ON TO ENGINEERING.

3. I TOLD ROODY IT WAS OUR UNDERSTANDING THAT GOES HAD INSTRUCTED CENTRAL AMERICAN EXECUTIVE DIRECTOR TO REMOVE SAN LORENZO FROM AGENDA OF MAY IDB MEETING. BEYOND THIS, WE HAD NO OFFICIAL WORD ON STATUS OF THE PROJECT. CERTAINLY IT WAS NOT, REPEAT NOT, OUR UNDERSTANDING THAT IDB ALREADY DECIDED WOULD TURN DOWN PROJECT, THAT ONLY POSTPONEMENT WAS INVOLVED AT PRESENT. WE HAD ASSUMED THIS ACTION BY GOES WAS PUBLIC KNOWLEDGE AND WERE SURPRISED (AND IN FACT DOUBTED) THAT CEL WAS UNAWARE OF IT. I EXPLAINED TO ROODY THE PROVISIONS OF HARKIN AMENDMENT, OF WHICH HE WAS COMPLETELY IGNORANT. I NOTED THAT, AS HE AND GOES KNEW, THERE HAD BEEN OPPOSITION IN SOME PUBLIC QUARTERS TO APPROVAL OF THE PROJECT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SAN SA 03170 081622Z

BECAUSE OF ALLEGED VIOLATIONS OF HUMAN RIGHTS IN EL SALVADOR. TO MY KNOWLEDGE, I TOLD HIM, THE USG HAS NOT MADE A DETERMINATION THAT THERE EXISTS IN EL SALVADOR A "CONSISTENT PATTERN OF GROSS VIOLATIONS OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS" WHICH WOULD MANDATE A US VOTE AGAINST THE PROJECT IN THE IDB. BUT, I TOLD ROODY THERE HAD BEEN HUMAN RIGHTS VIOLATIONS IN EL SALVADOR WHICH STATE DEPARTMENT HAS REPORTED TO CONGRESS TO WHICH CONGRESSIONAL COMMITTEES HAVE INQUIRED INTO. THE US, I EXPLAINED TO HIM, IS ESPECIALLY CONCERNED OVER SPECIFIC CASES OF TREATMENT OF US CITIZENS, INCLUDING DEATH OF AN AMERICAN CITIZEN, ABOUT WHICH WE WERE IN COMMUNICATION WITH GOES WITH A HOPE OF RESOLVING THEM SATISFACTORILY. I SUGGESTED ROODY MIGHT CONTACT ARA OFFICIALS IN WASHINGTON TO LEARN USG ATTITUDE TOWARD LOAN PROJECT, SUGGESTING DEPARTMENT OF STATE MUST SURELY BE LOOKING AT ALL PROPOSED IDB LOANS WITH HARKIN AMENDMENT IN MIND. I SPECIFICALLY AVOIDED ANY REFERENCE TO DISCUSSION BY STATE OFFICIALS WITH BERTRAND GALINDO ON SAN LORENZO LOAN OR OF US INVOLVEMENT IN GOES REQUEST FOR POSTPONEMENT. WITHOUT MINIMIZING PROBLEMS FACING THIS LOAN, I BELIEVED I SHOULD, HOWEVER, TRY TO DISPEL MISCONCEPTION THAT US HAD PRESSURED IDB AND HAD ALREADY BROUGHT ABOUT REJECTION OF LOAN.

LUBENSKY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SANSAS03170
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770244-0226
Format: TEL
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770775/aaaacnha.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f2958a6e-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 154277, 77 STATE 119590
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1914674
Secure: OPEN
Status: NATIVE
Subject: SAN LORENZO PROJECT
TAGS: EFIN, ENRG, ES, IDB
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f2958a6e-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009